

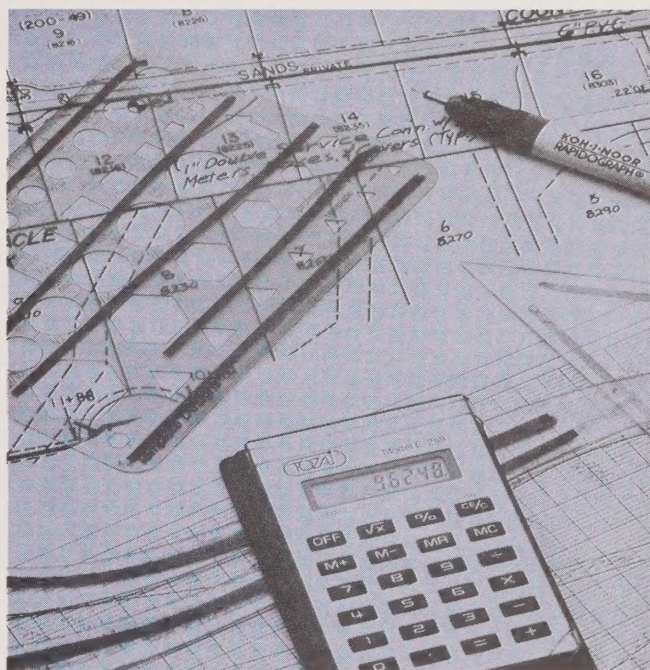
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A Blueprint for Change

June 1994





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A Blueprint for Change

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June 1994



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EXECUTIVE SUMMARY

Scottsdale's first Venture Team was formed in November, 1993, and was comprised of three (3) senior executives, with a combined 58 years experience in professional public management.

The purpose of the first Venture Team was to examine the many changes occurring and predicted to occur in our world, and to ask challenging questions about the implications of those changes for the future of public governance. The team was challenged, "not to make better what is, but to create what isn't".

This report, then, is a blueprint for change--not change in response to crisis, but planned, thoughtful and aggressive change in anticipation of our future.

In order to facilitate change, the Venture Team:

- developed, with considerable advice and input from others, a conceptual model to view how our governmental organization is structured and in a state of transition;
- developed a set of 11 organizational principles to guide behavior and decisions;
- initiated or facilitated specific change efforts, representative of how we will change and behave for our collective future;
- focused on the use of process re-engineering models to seek transformational change in workflow and processes;
- focused on the use of teams as the primary unit of performance for our future;
- initiated an examination of infrastructure replacement policies, as a critical, future liability for our community; and
- conducted focus groups, discussion groups, and facilitated meetings about our findings and observations, both to gain the perspective of others, and to raise the level of dialogue about the future of local government and the City of Scottsdale organization.

ORGANIZATIONAL STRUCTURE....Perhaps most importantly, the Venture Team examined how the City of Scottsdale organization could be structured to meet the demands of the 21st century. We envision a "structure" that is flat, flexible, team-based, matrixed in functions and goals, customer-focused, technologically enabled, open and accessible, self-changing and self-controlling.

*"How do we create structure that moves with change, that is flexible and adaptive, even boundaryless, that enables rather than constrains?
How do we simplify things without losing both control and differentiation?
How do we resolve personal needs for freedom and autonomy with organizational needs for prediction and control?" (1)*

We examined both academic and practical models of organizational structure, and--in this report--provide a way to conceptualize our structure for the future as a series of levels. We postulate that, an organization seeking to achieve its fullest potential will transition its emphasis from one level to the next, while retaining the basic components of each underlying level:

1. (This how we look)
HIERARCHICAL STRUCTURE
(fundamental, vertical reporting relationships)



2. (This is how we act)
ISSUE DRIVEN
(teams formed in response to issues and events)



3. (This is where we're moving)
SYSTEM AND PROCESS INTEGRATION
("horizontal", matrix relationships are made visible and formalized)



4. (This is what we want to become)
SERVICE - PERFORMANCE - OUTCOMES
Values and vision focus behaviors. The customer drives performance and evaluation.

In other words, an organization's structure can--and will--function simultaneously in "multiple layers". For an organization seeking its fullest potential, its primary emphasis will shift from vertical reporting relationships; to issue teams; to an interpretation of processes; to--ultimately--an outward focus on service and customer.

But how do we accomplish this? How do we change? We suggest that the organization's emphasis--its focus--evolves from one level to the next as the values, vision, mission and culture of the organization evolves. The formal "structure" becomes less and less important--the "how we look on paper" becomes secondary to "how we behave".

This report, then, does not offer organizational "charts"--schematic depictions of lines and boxes, circles or cloverleaves, or whatever. For we have found that any chart misses the fundamental point--that a self-changing organization is constantly changing in response to, and in anticipation of, changing demands and priorities.

Instead, we focused on a set of organizational and leadership principles to guide our actions.

PRINCIPLES....We offer 11 principles to guide organizational behavior and decisions—seven (7) principles for the organization, and four (4) principles of leadership:

Create an organization that:

- integrates functions
- is flexible and fluid
- focuses on performance and outcomes
- demands individual and team accountability
- embraces service to community and customer
- expects and supports continuous learning
- captures the values of a diverse workforce and community

Create a leadership team that:

- manages the organization's capital, human and financial resources
 - focuses on strategic planning
 - embraces values, vision and mission
 - empowers, coaches and communicates
-

CHAMPIONS OF CHANGE....The Venture Team provided a forum for other people to explore and test new and different innovations. We hope that our encouragement and facilitation contributed in some small way to the emergence of additional champions of change in the organization. The following sample of immediate improvements, either implemented or underway, represents the kinds of symbolic change that will move our organization into the future:

1. **Park-Incubator Project....**Scottsdale Ranch Park was chosen as a site to pilot mission-driven budgets; self-led management teams; and an entrepreneurial approach to the business of local government.
2. **Streamlining Procurement....**By issuing individualized credit cards to field employees for small, commodity purchases, processing costs for approximately 3,000 purchase requisitions per year are eliminated—saving \$40 to \$60 per transaction—and field employees are empowered to accomplish their work with greater efficiency and autonomy. Sixty credit cards are being issued in a pilot program that includes Parks Maintenance, Fleet Maintenance and Recreation.
3. **Streamlining Utility Bill Paying....**The City currently sends itself approximately 375 utility bills each month. Through the relatively simple process improvement of implementing electronic bill paying the City will save an estimated \$16,000 per year.
4. **Position Allocation....**We propose a simple process to continually examine vacant management, support and professional positions, to ensure that they are allocated to the highest and best use in the organization. While we estimate that this will impact only five (5) positions per year, the results will contribute to delayering our organization, and provide a continued focus on City-wide priorities.
5. **Multi-year Budgeting....**We offer a nine-step plan to implement two-year budgets and a five-year balanced financial plan for Scottsdale.

6. **360 Degree Evaluations....**We offer a guide, and a simple survey form, to dramatically improve the use of performance evaluations for professional development by soliciting input from peers and subordinates in addition to the supervisor.

TEAMS....In almost every future organizational model we examined, teams, rather than individuals, were the fundamental unit of performance. Productive teams model the organization of the future, for "genuine, sustainable change will come from small, manageable units achieving high performance". (2)

We conducted a survey of 430 management and professional members of the Scottsdale organization, and held focus group discussions with respondents to elicit additional feedback on the survey results.

Teams are widely used in Scottsdale, and they are perceived as very useful. We offer guidelines for the organization to continue to improve its collective ability to function in teams.

PROCESS RE-ENGINEERING....We offer a summary of what process re-engineering is, and a five-step outline of how--in general terms--process re-engineering is accomplished. This structural change effort affords Scottsdale the greatest opportunity to maximize our return on investment from new technologies (e.g., imaging technology; Geographic Information Systems; Open Systems). It also affords Scottsdale new opportunities to maximize the skills, talents and contributions of our increasingly diverse workforce and community.

The Venture Team facilitated a two-hour discussion on process re-engineering at the Executive Team Retreat on May 5, and process re-engineering efforts will be initiated by project teams in the coming year.

INFRASTRUCTURE REPLACEMENT....Although our future is uncertain, one thing we can count on: Our infrastructure--our water, sewage and drainage systems, roads, park improvements, public buildings, etc.--will require major maintenance and eventual replacement. The current value of our infrastructure is \$1.325 Billion.

Much like employee pensions, infrastructure replacement represents a known, future financial liability. But, unlike our pension funds, infrastructure replacement is largely unfunded. In the proposed FY 94/95 budget, the City proposes--for the first time--the creation of a reserve fund for this purpose (\$500,000).

Two project teams in the City organization have developed an inventory--by type and age--of the City's infrastructure assets; and a workable definition of life-cycle costing to ensure the consistent use of this methodology for procurement, budgeting and planning for Capital Projects.

CONCLUSION....The City of Scottsdale is well-positioned to embark upon a structured and sustained change effort to reposition the organization to meet the demands and challenges of the 21st Century. Total Quality Management, "Kaizen" continuous improvements are integrated into our culture, and the "quality dividends" from such efforts are reported and applauded. Self-led teams, telecommuting, flexible hours, and shared positions are becoming a part of our culture.

Indeed, Scottsdale's history is rich with innovation and experiment--the Indian Bend Wash; the Rural Metro fire contract--only recently changed to provide an integrated fire and ambulance response team; one man, automated garbage trucks; and public-private partnerships that have led to the development of the TPC of Scottsdale golf complex and WestWorld.

The creation of the City's first Venture Team--representative of an enormous commitment by the entire organization--created change and new opportunities, both for members of the Venture Team, and for numerous other managerial positions in the organization.

And yet, the rate of change in the world around us continues to accelerate, and our organization "must consistently challenge its sense of what is possible in order to resist the downward pull of habit and routine". (3)

This report, then, offers a blueprint for change--a conceptual model for our organizational structure, principles to guide our structural change efforts, and a challenge to all of us to view change as opportunity for a better tomorrow.

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1. Fortune Magazine, Managing In The Era Of Change, December 13, 1993, pp. 83.
 2. Block, Peter, "Reassigning Responsibility", Managing, pp. 94.
 3. Goss, Tracy, et al, The Re-invention Roller Coaster: Pushing The Present For A Powerful Future, pp. 100.

INTRODUCTION

"Those who cannot change their minds cannot change anything else." (George Bernard Shaw)

Change is all around us. "Change has become persuasive and persistent. It is normality." (4)

And so Scottsdale's first Venture was formed and asked to research, think about, discuss and debate our future--not to become futurists, but to involve the organization in the development of a pro-active plan for change.

Our work focused on "change"--immediate changes for immediate improvements, and long-term, strategic change to position the Scottsdale organization to meet the challenges and demands of the future.

Why change? The answer is seemingly simple--we change to improve. And yet, change implies uncertainty, unpredictability, a move away from the status quo. And so there is, in most individuals and in most organizations, a natural reluctance to change in the absence of a compelling need.

What, then, is this compelling need to change? The answer is all around us, in our rapidly changing external environment, well-documented in numerous books and articles, and reported almost daily in the newspaper:

- The explosive growth in information technology and computer networks;
- The booming globalization of the economy;
- The recent signing of the North American Free Trade Agreement, presenting the opportunity for unprecedented business relationships;
- Breakthroughs in biotechnology;
- Instantaneous communications around the world;
- The shift from a manufacturing to a service and information economy, in which knowledge and communications, rather than natural resources and physical labor, mean wealth;
- And on and on and on.....

And so we ask, why change? Because the world around us is undergoing fundamental changes, and very rapidly. American businesses--faced with intense international competition, the globalization of markets, and instantaneous worldwide communications--are demanding fundamental restructuring, both to survive as well as to prosper. The restructuring imposes two major demands on organizations: "Accountability for performance in order to survive and organizational flexibility to adapt to chaotic change." (5)

The public sector must meet the same challenges. Although Scottsdale sits as a financially sound and well-managed City in the growing southwest, our future is uncertain. We've only to look at our older cities to the east, with deteriorating infrastructure and rising social and economic demands; to our western neighbor, California, where cities, counties, and the state continue to struggle with fiscal crisis in the face of rising demands for more and better social, educational and public services; and even to Maricopa County, where recent fiscal crisis has forced a dramatic organizational restructuring in order to continue the business of governance.

Scottsdale has the opportunity to pro-actively plan for and manage its future--we need to take this time to examine change, to ensure that our organization views change as opportunity, not threat, and to move aggressively to envision a future in which we will be far different than we are now, and better positioned to serve our public.

The pages that follow present key observations by the Venture Team on the conceptual modeling for our organizational structure; on the principles of organization; and on the utility of process re-engineering and teams for our future. The Appendix contains summaries of improvements either implemented or in progress, as well as tools for the organization to use to facilitate change.

This report is only a beginning. We do not pretend to have answers to our future, or to have uncovered all the nuances of change. It is only intended that these thoughts and observations provide a stimulus for continuous discussion, debate and action.

We would be remiss not to acknowledge the tremendous support and assistance given to the Venture Team throughout this endeavor--the Director of the ASU School of Public Affairs served as our academic advisor, meeting on a weekly basis as both a resource and a challenger; the City Manager scheduled regular meetings, and City staff members joined the Venture Team in small groups, discussing everything from the philosophy and role of government to keys for developing effective teams.

Without the support and assistance of the Scottsdale organization, this work would not have been possible.

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4. Chompy, James and Michael Honma, Re-engineering The Corporation, pp. 23.
 5. Halol, William E., "Let's Turn Organizations Into Markets", The Futurist, pp. 13.

STRUCTURE FOR QUALITY

"We will continue our efforts to create structures and programs that will result in providing our citizens the highest quality services at the lowest cost possible. Central to this strategy is carrying out our Workforce 2000 initiatives including telecommuting, diversity training and self-directed work teams. Additionally, we will create an environment that will speed service delivery through the systematic elimination of bureaucracy and the simplification of work processes."
(Scottsdale City Manager Work Plan)

The Venture Team examined the conceptual nature of organizational structure in an attempt to define alternate models that would assist the organization in its transition to the future.

For most people, their relationship to the organization is defined by their "place" in the structure--their position in the hierarchy, their "rank", cost-center, program and department. Indeed, we have grown up with an authoritarian paradigm--families, schools, and corporations operated on the basis of superior-subordinate relationships. Organizations were structured as pyramids of employees, working fixed hours, at fixed locations; all made necessary by the requirements of information and the flow of work.

And now? Extraordinary advances in information technology increasingly allow people at multiple locations to work together--united electronically into a common system. And the travel and space constraints of an increasingly crowded society demand that the organization of the future embrace alternatives to working fixed hours at a fixed location.

Similarly, the increasing complexity of issues, and the growing understanding of the inter-related consequences of seemingly separate actions--the need for systems integration in our thinking--demonstrates that the era of the individual, heroic manager who "knew it all" is past. Organizations require the diverse skills and knowledge of teams of employees to meet the challenges of today and tomorrow.

This rapid pace of change demands a fluidity--a flexibility--that is foreign to authoritarian hierarchies.

The Venture Team research focused on both public and private sector models of structure. From the public sector, sample organizational charts were gathered from around the country, telephone inquiries made, and site visits conducted. There was tremendous interest in the subject, and little or no evidence of transformational change from hierarchial structure--only trends toward a flatter, more decentralized and more empowering environment.

The private sector offered more diverse structural models, some with intriguing names: The pizza model; the shamrock model; the starburst model; the entrepreneurial model. These were more serious efforts, driven by intense international competition, to redefine the nature of the organization. Common themes from private sector corporations in the forefront of change included: An absolute reliance on technology for worldwide, instantaneous communication and intelligence; the destruction

of hierarchy, symbolized by the elimination of middle management in favor of self-managed teams and autonomous work groups; focus on the customer, and customized, niche markets; a celebration of diversity in the workforce; an elimination of controls on work process, coupled with a strict adherence to financial controls; and a demand for positive outcomes.

Yet, even in the most esoteric of structural models, elements of hierarchy continued--someone was in charge, and everyone--in one way or another--reported to someone else. But, the emphasis on hierarchy was replaced with a focus on customer and outcomes.

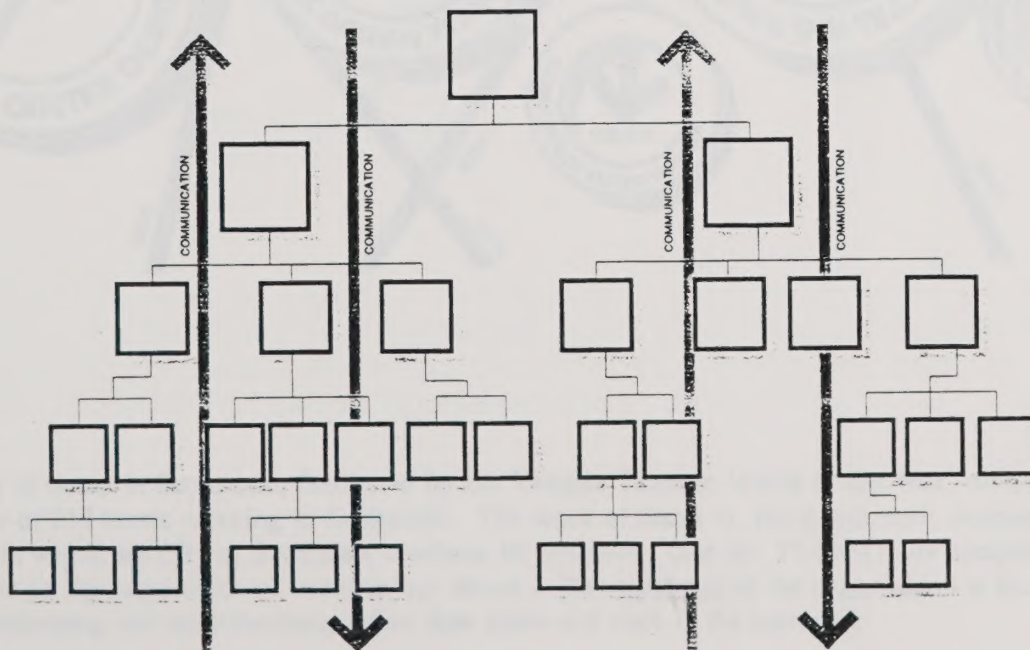
Out of our research, discussion and debate emerges a conceptual model of organizational structure that is multi-dimensional in character. Instead of a single relationship to the organization, defined by rank and place in the hierarchy, this model asks organization members to accept multiple, simultaneous relationships, defined by a series of structural levels.

Asking members to recognize their multiple roles and responsibilities helps to "bridge the gap" between the authoritarian paradigm with which we were all raised (the single, hierarchical dimension of organizations), and the demands for team-based work, horizontal systems integration, and positive outcomes.

The multi-dimensional model, then, offers four levels of structure, as follows:

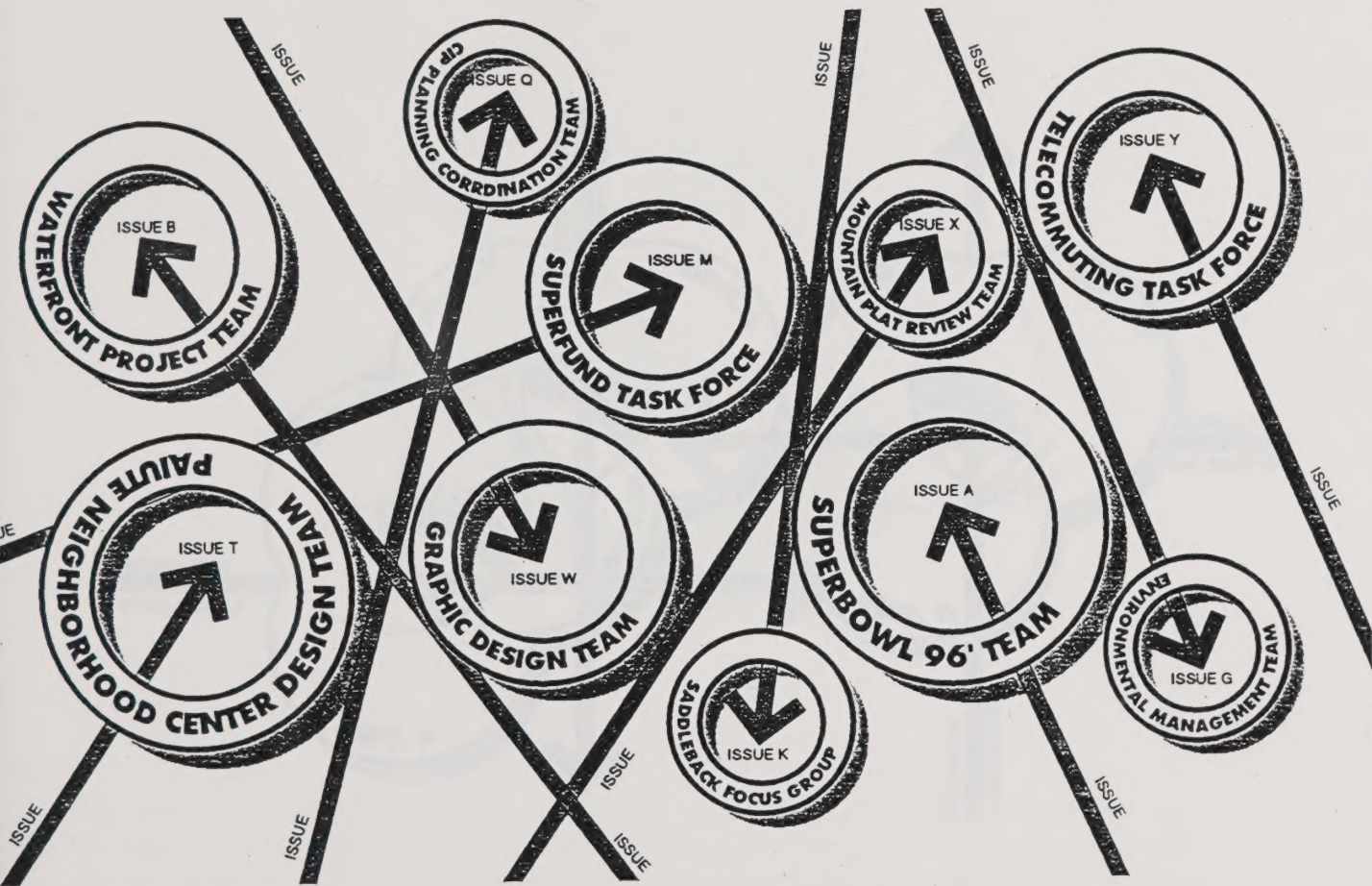
LEVEL 1: HIERARCHICAL STRUCTURE

This is how the City of Scottsdale looks, on paper--our organization chart. It describes vertical, reporting relationships, organized by function.



LEVEL 2: ISSUE-DRIVEN TEAMS

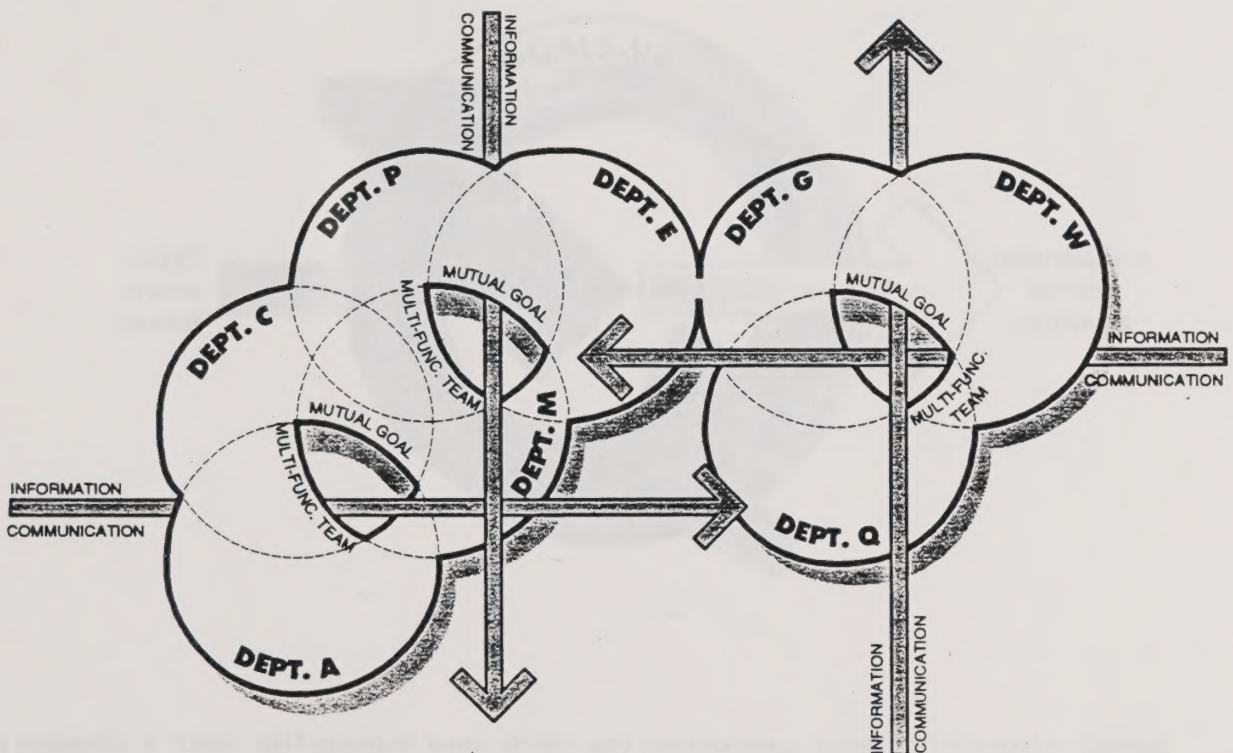
This is how the City of Scottsdale behaves. While hierarchical structure remains dominant, emphasis is placed on teamwork to address specific and emerging issues and events. Team members are assembled, not according to "rank", but according to complementary skills and knowledge. And team membership may include private sector and community members, representing our growing partnership with the Scottsdale community.



A survey of teams in Scottsdale, facilitated by the Venture Team in March of this year, compiled an inventory of 218 teams working in Scottsdale. The work of teams is, more and more, instrumental to the way in which the City of Scottsdale conducts its business. (See pp. 15 for a more complete discussion on the importance of teams to our future.) The emphasis of the organization is focused on team membership and contributions, rather than place and rank in the hierarchy.

LEVEL 3: SYSTEM AND PROCESS INTEGRATION

This is where the City of Scottsdale is moving. Systems and processes do not fit nicely into the functional alignments of hierarchies. Members from different departments are asked to work together for mutually shared goals. Multi-functional teams are formalized at all "levels" of the organization; communication and information exchange--facilitated by advances in information technology--flows freely, "horizontally" across the organization as well as vertically.



Perhaps most importantly, the emphasis of the organization is focused on process and systems. Critical analysis and re-engineering of workflow and process is continuous, both to take advantage of emerging technologies, and to meet changing community needs. Organization members are recognized and applauded for their process relationship to the organization.

LEVEL 4: SERVICE-PERFORMANCE-OUTCOMES

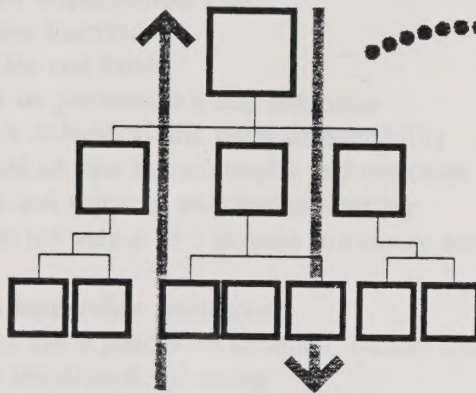
This is what the City of Scottsdale wants to become. Issue and event teams are common. Multi-functional process and system teams are in place. And the emphasis of the organization is on our many customers.



The hierarchy is flatter--self-managed work groups and instantaneous access to information through technology eliminates the need for some layers in our vertical structure. Relationships are flexible, allowing teams to be formed, disbanded and reformed. Checks and balances--controls--have been replaced with a focus on expected outcomes. Autonomous work groups are allowed freedom to pursue agreed upon goals, in concert with organizational values and vision. Competitization allows customers to select service providers, and provides classic market incentives for work groups to ensure that their services are efficient and meet customers needs. Teams, rather than individuals, are recognized as the primary unit of performance.



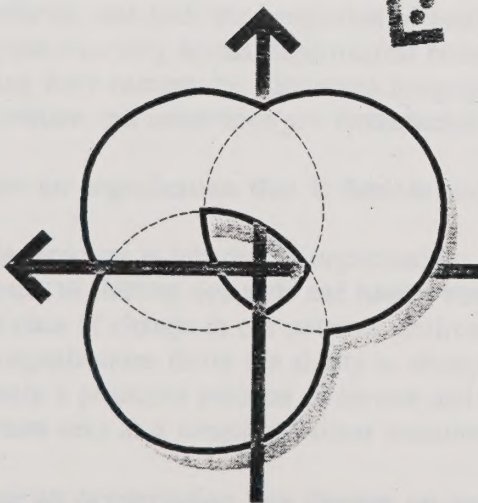
ORGANIZATION IN TRANSITION



VERTICAL REPORTING RELATIONSHIPS



ISSUE DRIVEN TEAMS



SYSTEM AND PROCESS INTEGRATION



SERVICE/PERFORMANCE/OUTCOMES

PRINCIPLES OF ORGANIZATION

The following eleven (11) principles of organization and leadership are proposed as a framework to guide future planning and change efforts to move the City of Scottsdale organization into the 21st century:

Create an organization that:

- integrates functions
- is flexible and fluid
- focuses on performance and outcomes
- demands individual and team accountability
- embraces service to community and customer
- expects and supports continuous learning
- captures the values of a diverse workforce and community

Create a leadership team that:

- manages the organization's capital, human and financial resources
- focuses on strategic planning
- embraces values, vision and mission
- empowers, coaches and communicates

1. Create an organization that integrates operations and functions.

Organizations increasingly demand "horizontal communications" across departmental boundaries, and seek the integration of systems and processes. Public organizations must integrate, not only across departmental boundaries, but with other agencies and institutions serving their community. Seamless integration requires common goals. Collaboration, cooperation and integration are fundamental to our collective ability to serve our community.

2. Create an organization that is flexible and fluid.

While structure is inherent to organizations, a structure that is fluid--constantly changing in response to shifting demands and needs--best describes the organization of the future. The rapid pace of change in our external environment, and the increasing rate of change, demands that organizations foster the ability to change themselves--instantaneously, daily, weekly--to maintain a proactive position of service and response. "Self-changing" organizations view structure only as a means to deliver outcomes.

3. Create an organization that focuses on performance and outcomes.

Organizations are moving from the measurement of inputs--hours of work, tons of material, dollars spent, etc.--to a focus on quality performance and outcomes. If the business of government is to allocate limited resources to unlimited needs, decisions will increasingly be guided by our ability to achieve desired outcomes. The business of "how" work is accomplished (inputs) will be much less important than the business of what work is accomplished (outcomes).

4. Create an organization that demands individual and team accountability.

Hierarchical organizations have been "managed through control"—control of hours worked, resources and materials used, dollars spent—under the assumption that, if inputs are carefully and efficiently managed, appropriate outputs will result. In the information age, accountability for performance and outcomes—rather than control of inputs—will be increasingly required. Given the complexity of today's environment, and the desire to integrate systems and processes, work will increasingly be performed by teams—thus, team accountability for performance and outcomes will be an important focus for our future.

"Accountability" does not necessarily imply culpability for lack of performance, but rather an opportunity for recognition and celebration of success.

5. Create an organization that embraces service for the community and customer.

We are a service business, and we anticipate that excellence in service delivery will continue to be the cornerstone of our performance and outcomes—service to customers, and service to our community, in concert with public policy and community and council priorities.

6. Create an organization that expects and supports continuous learning.

The increasing rate of change, and the rapid advances in information and technology, demands continuous learning. The organization must support new learning; and members must both participate in, and contribute to, an environment of new knowledge and change.

7. Create an organization that captures the values of a diverse workforce and community.

Rapidly changing demographics, and the emergence of a new generation of young people eager to enter the workforce, provides an unparalleled opportunity for American business and government to "unleash" the human potential in each of us, unfettered by bias, socialization and cultural mores. It is incumbent upon us to accept this opportunity.

8. Create a leadership team that manage the organization's capital, human and financial resources.

The organization is defined by a finite set of resources, and the fundamental job of the leadership team is to manage those resources in such a way that they are individually and collectively maximized, and efficiently and effectively applied, to accomplish community and council priorities.

9. **Create a leadership team that focuses on strategic planning.**

There are many definitions of "strategic planning", and all--at their core--reflect a structured, proactive and systematic planning effort to anticipate and manage both our short and long range future. Too often leadership teams become overly immersed in day-to-day operations, and spend disproportionate time and energy reacting to the current "crisis". This mode requires the leadership team to apply its collective skills and abilities to strategically planning our future--for the introduction and assimilation of new technologies, an increasingly diversified workplace and community, service demands that exceed resource availability, strategic issues management, growth and development, etc.

10. **Create a leadership team that embraces the organization's values, vision and mission.**

Management in the information age will be characterized by trust, rather than control. If the behaviors of the organization's members are in concert with the values, vision and mission of the organization--then members are fully empowered to achieve desired outcomes. Leadership teams must model and communicate the values, vision and mission of the organization if those qualities are to drive behavior and performance. For an organization in transition, values represent the stable, predictable touchstone for the organization--a "constant" in a world of change.

11. **Create a leadership team that empowers, coaches and communicates.**

A leadership team that empowers the organization's members to take risks, to innovate, and to integrate; that supports members in risk and failure; that coaches members for success; and that consistently and constantly communicates the organization's vision, mission and values--describes the successful leadership team of the 21st century.

PROCESS REENGINEERING

What Is It?

A "process" in an organization may be defined as a "specific ordering of work activities across time and place, with a beginning, an end, and clearly identified inputs and outputs". (6)

Process reengineering, then, is--in its simplest terms--a critical examination of the flow of work within and between departments, with one critical distinction: Process reengineering does not seek to improve the existing process, but instead seeks to redefine needed work and work flow with a focus on outcomes--community and customers.

Why Process Reengineering?

Process reengineering does not seek incremental productivity improvements of five to ten percent but rather seeks quantum leaps in improvement of 50 percent, 100 percent, 1000 percent. For example, the Scottsdale Water Meter Set Team reported productivity improvements of 700%. They critically examined the process of ordering a water meter, installation, and establishing a new account--and reduced the average time for this process from 35 days to five (5) days.

This is an excellent example of a successful change in a narrowly defined process. However, the literature suggests that "The fewer and broader the processes, the greater the possibility of innovation through process integration, and the greater the problems of understanding, measuring, and changing the process". (7) (emphasis added)

While narrowly defined processes, successfully reengineered, probably would not have a significant impact on organizational productivity, they nevertheless represent important, successful symbolic change that will ripple through the entire system.

How Do You Do It?

Again, in its simplest terms, there are five (5) steps to process reengineering: (8)

1. Identify processes for innovation
2. Identify change levers
3. Develop process visions
4. Understand existing processes (Flow Chart)
5. Design and prototype the new process

Identify Processes For Innovation

The identification of an organization's processes is a critical first step, and much more difficult than it may at first appear. Indeed, process identification has been characterized as "more art than science". For example, "financial management" may be characterized as one broad process, or may be identified as a multiplicity of more narrowly defined processes. Remember, the risks associated with reengineering a narrowly defined process are relatively small, the probability of success is relatively high, and the rewards to the organization are commensurate with the risk.

Additionally, the more broadly processes are defined, the more highly interdependent they will be--creating a dynamic challenge for the organization to assign ownership and accountability either for the process, or its reengineering.

In most organizations, process identification is an iterative event, which allows a listing of identified processes to be continually refined, with an evolving consensus.

Identify Change Levers

The City of Scottsdale's information technology systems offer unparalleled opportunities to serve as change enablers for process reengineering. Three (3) components come immediately to mind:

1. Open systems architecture...This provides for an integrated, and instantaneously accessible data base, across the organization.
2. Geographic Information Systems...Offers the opportunity to link data with spatial attributes, and visually portray data in such a way as to represent intelligence.
3. Imaging Technology...Offers the opportunity to directly impact any work flows involving paper.

The City's Human Resources represent a second change enabler. The tremendous skills and talents of our work force are a vital asset for our future.

The City's organizational resources--our culture, values, and vision--are a third change enabler, which encourages teams, risk taking, decision-making and empowerment.

However, as a cautionary note, each of our change enablers may also so serve as a process restraint. For example, the implicit assumption of most organizations--that information technology will automate, and therefore somehow automatically improve, work flow--has not historically been borne out by improvements, productivity or outcomes. The technology infrastructure already in place represents a substantial investment, and could act as a resistor to change.

Similarly, the human side of process--the feelings and attitudes of the people we charge with process reengineering--must be awarded a high degree of attention and concern. Change can be extremely exciting--it can also be viewed as threatening and intimidating.

Finally, process reengineering is a team based effort, requiring the diverse skills, talents and perspectives of a variety of organizational members. A good deal of strategic planning should be given to the creation, the vision, and the complement of process innovation teams. The rewards of this planning are numerous: "Well-functioning process innovation teams model the way the enterprise as a whole will operate in the future". (9)

Develop Process Visions

In the absence of a vision, created and communicated by the organization's leadership team, process reengineering will most commonly devolve into process improvement, with incremental rather than quantum change. A process vision "should be easy to communicate to the organization, non-threatening to those who must implement (or who are affected by) them, and as inspirational as measurable targets can be". (10)

Understand Existing Processes

Once a process has been selected for reengineering, a vision communicated and a innovation team established, the innovation team will want to document the existing process. This will allow the team to ensure that any problems in the existing process will not be repeated; it will allow the team to measure the value of the reengineering; and understanding what is, will allow the team to develop a tactical plan to migrate to a new process.

Design and Prototype The New Process

Again, depending upon how broadly the process has been captured, a redesigned process will require strategic and tactical plans for implementation, which may include the introduction of new technologies, the retraining of our human resources, and a redesign of the physical space. A "pilot test" may be appropriate in order to streamline and fine tune the redesigned process.

Summary

Process reengineering is different than process improvement. However, many organizations will form two (2) teams to work in parallel--one to focus on the longer term quantum gains from process reengineering, while the other focuses on the immediate benefits from process improvement. Both teams benefit from documenting the existing process. Process reengineering may require the retooling of information technology, the retraining of staff, and the redesign of physical space. Process reengineering is motivated by a leadership driven vision of the future, rather than the "bottoms up" improvements afforded by Total Quality Management.

Nevertheless, process reengineering and innovation offer a tremendous opportunity to strategically plan for, and maximize our gains from, new information technologies and our investments in that field. In a world of ever increasing service demands, and limited resources, process reengineering offers the opportunity to critically examine the way in which we do work, focusing on outcomes--community and customers.

6. Davenport, Thomas H., Process Innovation: Re-engineering Work Through Information Technology, pp. 5.

7. Davenport, Thomas H., pp. 28.

8. Davenport, Thomas H., pp. 25.

9. Davenport, Thomas H., pp. 184.

10. Davenport, Thomas H., pp. 119.

TEAMS

Why Teams?

Given the increasing complexity of issues, the increasing amount of information and data available, and the diverse perspectives of directly affected customers and interest groups which must be represented, teams will increasingly be required for our planning and decision-making. Teams promise improved productivity because team members are committed to, and motivated by, clear performance goals. Teams offer organizational flexibility, "because they can be more quickly assembled, deployed, refocused, and disbanded, usually in ways that enhance rather than disrupt more permanent structures and processes." (11)

In fact, in almost all future organizational models that the Venture Team has studied--"networked", "pizza", "shamrock", "clustered", "starburst", "horizontal", etc.--teams, rather than individuals, are viewed as the primary unit of performance and accountability.

Team Survey

In order to explore how teams are utilized in the City of Scottsdale, the Venture Team prepared and distributed a survey to 405 management and professional employees in the City, and facilitated focus group discussions on "teams" in our organization. Although the results of the survey are not "statistically valid"--respondents were self selected--the results of the survey and focus groups are nonetheless indicative of the utilization of teams in the City organization, and include members' perceptions of those factors which contribute to successful team performance. A summary of the team survey is presented below. (For a copy of the survey instrument, please see Appendix C.)

Survey Findings

One hundred and thirty responses were received. Of those 130 responses, 119 stated that they were on, or had been on, one (1) or more teams in the past twelve (12) months.

The total number of different teams listed was 218--this equated to an average of two (2) teams per respondent, and respondents reported spending an average of 26 hours per month on teams.

Survey respondents ranked those factors which they considered to be most critical to successful team performance. Far and away, the most important factor was a team purpose clearly identified. This finding is consistent with the literature:

"Teams do not become teams just because we call them teams or send them to team building workshops....Real teams form best when management makes clear performance demands."
(12)

Our survey rankings of other factors considered essential to a team's success:

2. Supportive team members
3. Resources available to the team
4. A defined due date
5. Team leader clearly defined
6. Frequency of team interaction
7. Team size appropriate to goal

The survey provided an opportunity for open-ended comments, and the vast majority of our respondents provided their thoughts on teams and team performance. A small sampling of those comments is included:

"The single feature that makes a team effective is communication (of purpose, roles, outcome expected, and status)."

"Our success was due to the availability of each team member to commit the time and resources to fully contribute to achieving the teams goals and objectives."

"Without the team's full support, the goal would have never been reached."

"Some teams demand more time than is available, which may result in less than satisfactory results."

"What is disappointing is after the committee's work is done, their suggestions/ideas seem to go into this "black administrative hole" never to be seen or heard from again."

"Teams can be facilitators of change, as well as the change agents themselves. Team accomplishments can set the tone and develop the standard for learning together throughout an organization."

How Can We Better Utilize Teams In Scottsdale?

There is a vast amount of academic and practical research published on the nature and use of teams in organizations. Given the Venture Team's review of the literature, and the results of our own survey of the Scottsdale organization, the following is offered as a simple, beginning guide to a better utilization of teams in this organization.

1. Do team members agree and commit to a shared purpose?

In order for a team to function effectively, there must be a clear understanding of the purpose for which the team has been formed. Members of the team should be committed to that purpose.

2. Are the skills and knowledge of each team member fully utilized?

The most valuable resources available to a team are the skills and abilities of team members. Does the team create opportunities for each member to contribute and for all ideas to be understood and considered? Does each member take responsibility for actively participating, both by contributing ideas and by listening to others?

3. Do team members share a sense of responsibility for leadership?

Teams may have appointed "leaders", or leadership may emerge from the group. Nevertheless, teams perform most effectively when all members share a sense of responsibility for group interactions and decisions.

4. **Does the team spend sufficient time on both task and maintenance functions?**

Task functions are those things necessary to achieve the group's goal--establishing and clarifying purpose; sharing information; exploring alternatives; summarizing; initiating actions. Maintenance functions are those things necessary to allow for effective team dynamics--encouraging involvement and participation; recognizing and discussing feelings; reconciling disagreement. All team members, not just leaders, should accept responsibility for both task and maintenance functions.

5. **Do team members demonstrate mutual trust and respect?**

For team members to create an environment that encourages open communication and full participation, members need to respect and trust each other.

6. **Does the team have the capacity to openly confront and resolve conflict?**

People do not automatically work well together. Even with the best of intentions, disagreement is likely. The ability of the group to openly confront and resolve conflict is essential if the group is to foster positive working relationships based on trust and respect.

7. **Is the time spent in team meetings used effectively?**

Every group needs to agree upon a set of procedures that will guide its activities--meeting agendas; project schedules; gant charts. Teams also need to understand how meeting time is "controlled"--either by appointment of a chairperson, or by self-regulation of each member.

8. **Do team members understand and agree on how team decisions are made?**

Not all team decisions are made by consensus. Indeed, it is important for the team to understand how, in the face of divided opinions, decisions will be made and team progress continued.

9. **Does the team encourage creativity?**

Unless teams acknowledge the importance of time spent deliberately focusing on innovative and creative ideas and approaches, the press of business and schedules may allow a team to follow only the most obvious course of action--possibly missing a much more exciting and innovative strategy.

Team Self-Assessment: For teams wishing to explore their own dynamics, two different team assessments are included as Appendix C to this report. Asking team members to complete one or both assessments, and then openly discussing the assessments, may provide opportunities for the team to uncover and resolve impediments to effective team performance.

11. Katzenbach, Jon R. and Douglas K. Smith, The Wisdom Of Teams, pp. 15.

12. Katzenbach, Jon R. and Douglas K. Smith, pp.4.

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Introduction

The following pages summarize improvements or change opportunities either implemented or underway. In many cases, these improvements are being pursued by CHAMPIONS OF CHANGE in the organization--individuals and small teams working together.

The Venture Team provided a forum for people to test new ideas, and--hopefully--our facilitation and encouragement contributed in some small measure to the emergence of additional Champions of Change.

360 DEGREE EVALUATION

It is recommended that the City institute 360 degree performance evaluations (that is, ratings contributed by peers and subordinates as well as the supervisor), and that a "pilot program" be voluntarily initiated with the City's Executive Team.

What is it?

A 360 degree evaluation includes survey responses from peers and subordinates, submitted directly to--and compiled by--the supervisor to ensure individual confidentiality. A suggested survey form is included in the Appendix A.

Discussion: The purpose of the 360 degree evaluation is to provide additional perspectives on performance and behaviors for the professional development of the individual. While some organizations have attempted to use subordinate assessments for compensation decisions, managers indicate at least an initial reluctance to the use this method for compensation purposes, for the following reasons:

1. Subordinates may lack the ability and/or information needed to provide valid ratings;
2. Subordinates may fear "telling the truth" about poorly performing bosses;
3. Managers may focus too heavily on pleasing subordinates;
4. Managers being rated may engage in "playing games";
5. Management authority may be undermined;
6. The recruitment and retention of managers may be adversely affected;
7. Subordinates may inflate their manager's ratings in an attempt to gain influence;
8. Subordinates who are "pushed" the hardest may be most strict in their ratings; and
9. It may turn into a popularity contest. (13)

Despite these perceived shortcomings to subordinate assessments, subordinates are in frequent contact with their superiors, and have the opportunity to observe a large number of relevant behaviors. Both subordinates and peers are in a position to provide unique information for self-assessment and development.

Finally, it is suggested that this program be "voluntary", in order to encourage its use for professional development. Other managers in the City organization may also elect to test this assessment methodology, even though the pilot program is targeted toward the Executive Team.

13. McEvoy, Glenn M., "Public Sector Managers' Reactions To Appraisals By Subordinates", Public Personnel Management, Vol. 19, No. 2, pp. 202.

DATE: _____
TO: _____
FROM: _____

PROFESSIONAL DEVELOPMENT ASSESSMENT

Please complete this professional development assessment on my behalf and return directly to my supervisor, _____, who will compile all responses for my use, and ensure your confidentiality.

Your candid observations of my performance and behaviors are much appreciated!

Indicate your level of agreement with each of the following statements on a scale of 1 (complete agreement) to 5 (complete disagreement). Leave blank if you have no opinion on an item.

From your observations, I:

- | | | | | | |
|---|---|---|---|---|---|
| 1. Understand, support and model the City's Values | 1 | 2 | 3 | 4 | 5 |
| 2. Demonstrate conviction and enthusiasm | 1 | 2 | 3 | 4 | 5 |
| 3. Foster a risk-taking and innovative attitude | 1 | 2 | 3 | 4 | 5 |
| 4. Initiate action, rather than waiting for direction | 1 | 2 | 3 | 4 | 5 |
| 5. Challenge, and provide <u>constructive</u> confrontation, to enhance the performance of others | 1 | 2 | 3 | 4 | 5 |
| 6. Am a supportive, active listener and contributor in discussions and meetings | 1 | 2 | 3 | 4 | 5 |
| 7. Follow through on commitments and tasks | 1 | 2 | 3 | 4 | 5 |
| 8. Take a City-wide perspective on organizational issues | 1 | 2 | 3 | 4 | 5 |

Please note one thing that, from your observation, I might want to work on or pay attention to:

Other comments or examples that might help me: _____

INCUBATOR PARK

Description

Scottsdale Ranch Park was selected as the site to test several ideas relative to cost center budgeting and functional operations that might have future implications throughout the City. Ideas to be tested over a minimum two-year period include: Mission driven two-year budget, budget line item flexibility, target performance measurement, revenue sharing, neighborhood park committee, Parks and Recreation staff team, and using best methods. In this test case, the people who normally supervised and managed the work of the affected staff will transition to a "trust and lead" responsibility. They will become a facilitator, collaborator, coach, mentor, trainer, and cheerleader. The staff working as a team with the neighborhood and park partners will develop programs, activities, revenue, and development plans. Careful logs will be kept in order to provide a basis for transferring the experience to other parts of the organization.

Outcomes

Utilizing the park as a test site, sort of in incubator format, knowledge is the planned outcome.

1. What impact will there be on the capacity of the staff?
2. Will the spending patterns change?
3. Will program outputs meet goals?
4. What new communications systems will emerge?
5. Will reasonable risks be taken?
6. How will the two-year budget work?
7. How much money will be carried over?
8. Will new methods and approaches be discovered?
9. How will customers respond to the changes?
10. How will managers trust and lead?

Future Development

As indicated above, records from the project will be analyzed to determine what and if certain portions of the tested elements have implications for the rest of the organization. Additionally, it seems reasonable that as ideas come along during the year, Scottsdale Ranch Park could be the place to test them.

MULTI-YEAR BUDGETING

DESCRIPTION

The Venture Team examined the concept of multi-year budgeting for possible implementation in the City of Scottsdale. During the FY 94/95 budget process, the City Manager announced his intent for the organization to prepare a two-year budget and a five-year, balanced financial plan, for presentation to the City Council for FY 95/96. We offer, then, the following procedures to implement this improvement.

BENEFITS

- Significant staff time, estimated at up to 25% in some areas, will be saved by preparing detailed, operating budgets every other year.
- Better financial and expenditure planning will be required for the preparation of two-year and five-year balanced plans.
- A five-year balanced plan will demand long-range, strategic planning for managers to meet desired results with available resources.
- Two-year budgets provide managers with greater opportunities to implement creative strategies and partnerships to achieve results.
- A City Manager's discretionary fund provides flexibility to pursue new initiatives and streamlining opportunities.

PROCEDURES

The following is a nine step plan to operationalize the concept of multi-year budgeting for the City:

1. The City's Long Range Planning Center provides five year projections for population growth and new households.
2. The projected five year needs of "decentralized" accounts are provided by the appropriate, responsible centers--telephone accounts; computer replacement accounts; fleet maintenance and replacement; and Risk Management.
3. The Budget Office provides a five year projection for inflation.
4. Human Resources provides a five year projection for salary and benefit increases.
5. The Budget Office prepares five year revenue projections, by fund.
6. The Budget Office distributes a budget package to each department, which includes the compilation of all of the "input factors" listed above, and includes a projection of available revenues to each department, distributed in accordance with the departments prorata share of each fund for the 94/95 budget year--after deducting from available revenues those appropriate amounts for the City Council Contingency Fund, Economic Stabilization Reserve, Building Maintenance Reserve, and a proposed City Manager Discretionary Fund.

7. Departments prepare a five year expenditure plan, balanced to available revenues. Departments anticipate a "two year spending cycle", in which unspent funds will carry over and either be encumbered, or reappropriated, to departmental budgets for the second year of the two year budget cycle.

8. Departments prepare a program summary of "unmet needs" for each year of the five year balanced plan, highlighting significant service and equipment deficiencies that require the City Manager's attention.

9. The "City Manager's Discretionary Fund" is intended to allow some organizational budget flexibility to address unanticipated initiatives that occur during the first two years of the five year plan. It is anticipated that the organization will follow the above procedures every other year, and that in the "off years" organizational budget efforts will be focused on the incremental operating budget opportunities that may arise from any fine tuning of second year revenue projections, as well as on a more intense focus on the City's Capital Improvement Program.

POSITION ALLOCATION

It is recommended that the City create a "position allocation pool" to ensure the continuous evaluation of our human resources.

How does this work?

When positions in the City are vacated, the General Manager of the "host department" is asked to evaluate the worth of that position relative to the needs of the entire organization. All professional, managerial and support positions should be subjected to this review. The "host department" is encouraged to turn this position back to the organization for reallocation according to highest need. In return, the "host department" would receive six (6) months salary of the vacated position to be used for any onetime expenditure that would benefit the mission of the department.

The position allocation team would be staffed by three (3) General Managers, on a twelve (12) month rotation, and the Human Resources Director would serve a standing appointment. The General Manager of the "host department" has the opportunity, at the conclusion of his or her evaluation of the vacated position, to convene a meeting of the position allocation committee to discuss the findings and recommended allocation of the vacated position.

What are the benefits?

This recommendation formalizes a year-round, continuous review of position and human resource allocations within the City. Over the long-term, this recommendation will assist the City in its goal to "flatten" the organization, and it will benefit the "host department" by providing significant, onetime monies to invest in the department's mission and services.

CREDIT CARD AUTHORIZATION

Description

The City provides several alternatives for making purchases for necessary supplies and equipment in order to accomplish City business. Among those are open purchase orders, petty cash, and purchasing requisitions. This program adds the use of individually assigned credit cards to front-line employees. More than 3,500 purchases under \$500 are made each year throughout the City. When the cost of the procurement, warehouse, and accounting are accumulated, the burden is about \$65 per purchase. This program will allow front-line staff to make direct purchases for necessary supplies, thus bypassing the purchasing and warehousing functions and minimizing the accounting and requisitioning processes.

Outcomes

The program will begin with 80 people in four divisions - Parks, Facility Maintenance, City Clerk, and Recreation. Efficiencies will occur in several areas including Purchasing, Accounting, Warehouse, and supervisory time. These efficiencies will not only speed up work thus allowing more work to be done; in time, it is anticipated that the program will allow for the reallocation of human resources.

Future Development

The program will be tested first in limited programs. Only necessary guidelines and procedures will be developed in order to keep from developing a cumbersome manual. Later, other front-line programs where numbers of purchases are made will be added.

COMPETITIVIZATION FOR TECHNOLOGY

Description

Organizations will increasingly seek competitive alternatives to both internal, support services (e.g., human resources; accounting; procurement; information systems; etc.), and direct services to customers. The concept of "competitivization" assures organization members that the services they deliver and receive are efficiently priced in relation to other, similar service providers. It allows service delivery groups to behave more like entrepreneurs, structuring and pricing their services to attract clients, rather than relying on a "monopoly--sole source" status.

This project seeks to explore the concept of competitivization for some or all of the City's Information Systems--including, but not limited to, hardware maintenance and support; software maintenance; software development; terminal and printer repair and maintenance; new applications development; and the planning, purchase and implementation of new and emerging technologies.

Outcomes

A competitivization project team has been assembled, and--as of this writing--has been meeting over the past three months to develop a "Request For Interest" to explore competitive alternatives to our current in-house information systems structure. Presentations on this concept have been made, both to the City's Executive Team, as well as to the Office Of Management Systems--the City's Information Systems Team.

It is anticipated that the responses to the Request For Interest (RFI) will allow the City to explore competitive alternatives, focusing on both the efficiency and the quality of alternative methods of service delivery.

Future Development

It is the objective of the City to leverage information technology resources and control the associated costs of owning, operating, servicing, and replacing technology equipment. Through competitive contracting, the City looks for an alternative business partnership that will:

1. Assume management responsibilities for information technology resources;
2. Exercise creative technologies and techniques to maintain or improve service;
3. Provide strategic direction and support to assist departments to improve work processes and better manage change;
4. Ensure the City's on-going control of information systems as a strategic resource;
5. Guarantee performance continuity; and
6. Meet City-wide customer needs for quality, flexibility and responsiveness.

ELECTRONIC ACCESS TO BID DOCUMENTS

Description

The City generates hundreds of public bids each year and by necessity, maintains a significant list of potential bidders and contractors. Each year, thousands of bid documents are mailed to potential bidders. This proposal would publicize the City's request for bids or proposals via computer. Interested bidders could then download the document electronically.

Outcomes

Once fully implemented, the program would save thousands of dollars in paper, printing, and mailing costs. Estimates of savings will be available in four (4) months.

Future Development

It was originally hoped that an access port in the Library ATLAS system could be used for this project. But, further investigation confirms that the answer lies in the Internet System. At this time, a City task force is working on connecting the City to Internet. One full-time OMS employee has been reassigned to focus on this endeavor.

The task force has developed a mission, goals, scope of work, and time line. A recommendation is expected in September, 1994 with full utilization expected in 12 months.

STREAMLINING UTILITY BILL PAYING

Description

The City of Scottsdale currently sends itself 375 water bills per month, the process for payment involves nine (9) different steps, including review and approval in the Municipal Services Department, and an additional review for accuracy within Accounts Payable. The City commonly sends itself a notice of delinquency for late payment, adding to the process and time consuming to correct.

Outcomes

The goal of this project is to consolidate nine (9) steps into one report. The report would act as payment for all of the 375 water bills we currently pay individually each month. It is estimated that a consolidated, electronic payment process would save the City \$16,000 per year.

Future Development

A software program to allow for electronic bill paying and consolidated report generation will be implemented in August of this year, at a one-time cost of \$10,000. This investment will be returned to the City, in the form of savings, within nine (9) months. Staff hours formerly devoted to reviewing and paying bills will be redirected to direct customer service issues.

Introduction

The Venture Team facilitated a renewed effort by the City organization to examine our infrastructure assets--water and sewer lines, booster stations, wells, drainage systems, public buildings, roads, etc. These assets, currently valued at \$1.325 billion, are depreciating at a rate of \$34 million per year, and represent an unfunded liability--a burden upon future generations of Scottsdale residents.

Future infrastructure replacement may be thought of in the same manner as a retirement plan or pension fund--but, unlike a retirement plan for which money is put aside each year, cities generally do not make annual appropriations to establish long-term reserves for infrastructure replacement.

The pages that follow represent the combined intelligence of the Infrastructure Inventory Project Team. Although in summary form, considerable documentation exists throughout the organization to support these summaries.

The "total annual replacement" of \$33.7 million is a conservative approximation. It is based upon a straight line depreciation of the useful life of each type of asset. It ignores the impact of inflation on future replacement cost and ignores the current age of our existing assets.

Nevertheless, it is hoped that this work will provide a starting point for a broader dialogue by the organization and the community about the need to recognize and value the current cost of future liability.

Is it important? Consider the following from the Cooper Union Infrastructure Institute:

"Like many aging cities in the U.S., New York is struggling with a crisis of its public works systems. A monumental network of infrastructure systems...has been constructed, mostly prior to World War 2. We now face the battle of supporting and rebuilding this massive public investment."

"....Budget shortfalls now threaten vital maintenance and capital reconstruction programs. In a real sense, we are now living on the foresight and investment of generations past, and poor management and tightening budgets compromise our ability to pass viable public works systems onto our children's generation."

- Washington DC, 1993--a 48" water main bursts on Christmas Day.
- Atlanta, 1992--a sewer pipe bursts, killing two people.
- New York City, 1989--annual water main breaks surpass 700.

INFRASTRUCTURE INVENTORY PROJECT TEAM

FINAL REPORT

Purpose

The City Infrastructure Inventory Project Team was asked to accomplish the following assignments:

- a. Determine the current inventory of the City's infrastructure and its value.
- b. Calculate the funding necessary to upgrade/replace the current inventory at the end of its service life.

Findings

The Team examined the City's infrastructure in four categories: Buildings, Parks and Recreation, Water Resources, and Municipal Services. Age and service life were also determined for each item in the four categories.

The current value of the inventory is \$1.325 billion. Upgrade or replacement costs for this expanding inventory represents an unfunded liability for the City. Much of the inventory has been in place for over 25 years; therefore, programming replacement funding for the infrastructure should be a priority issue for future City budgets.

Each item in the four categories was analyzed for upgrade/replacement costs. These costs were annualized to provide an amount which, if added to the City's budget, would provide a funding source for future infrastructure replacement.

The City's current annual budget already provides for infrastructure replacement in the amount of \$12.7 million. However, the Team determined the total replacement requirement to be \$33.7 million; leaving an annual unfunded requirement of \$21 million.

A table for each category is attached which provides details on the infrastructure inventory and annual replacement costs.

The Team recommends that this report be utilized as a basis for the examination of financial alternatives to provide a means for insuring an adequate future infrastructure.

TEAM MEMBERS:

Cyndi Coniam, Parks Management Analyst
Tim Conner, Facility Planner
Daryl Everhart, Mun. Services Operations Asst.
Joe Gross, CPM Director
Alex McLaren, Transp. Planning Director
Dave Petty, Water & Wastewater Distr. Mgr.

BUILDINGS INFRASTRUCTURE

DESCRIPTION	INSTALLATION DATES					
	PRE-1975	1976-80	1981-85	1986-90	1991-95	TOTAL
Buildings - each * Service Life 50yrs.	59	22	32	28	16	157
Floor Area - Sq. Ft. Service Life 50yrs.	540,766	60,540	256,912	621,905	194,270	1,674,400

**

Total value of Buildings Infrastructure estimated at \$167 million

* Parking structure located under office structures are treated as separate buildings

** Estimated total value based on an average of \$100 / s.f.

Annual Maintenance and Replacement Needs

Annual Percentage Rate = $100 \div \text{Service Life} = 2\%$

Annual Replacement need = $2\% \times \$167,000,000 = \$3,340,000$

Current Total Annual Budget for Replacement = \$2,489,592

Additional Annual Replacement Funding Required = \$850,400

PARKS & RECREATION INFRASTRUCTURE

DESCRIPTION	INSTALLATION DATES					
	PRE-1975	1976-80	1981-85	1986-90	1991-95	TOTAL
Basketball Courts Service Life 3 yrs.	n / a	n / a	n / a	n / a	25	25
Light Poles - each Service Life 15 yrs.	184	218	139	123	46	710
Playground Equipment Service Life 15 yrs.	2	n / a	8	9	5	24
Pool Pumps & Equip * Service Life 10 yrs.	6	n / a	25	28	n / a	59
Ramadas Service Life 20 yrs.	21	15	12	16	7	71
Side Walks - sq. ft. Service Life 15 yrs.	97,182	32,400	12,960	16,657	52,110	211,309
Spray Pads - each Service Life 20 yrs.	3	1	n / a	1	n / a	5
Tennis Courts - each Service Life 3 yrs.	n / a	n / a	n / a	n / a	44	44
Pools - Kool Decking & Blankets - sq. ft. Service Life 7 yrs.	n / a	n / a	5,000	71,000	n / a	76,000

Total value of Parks & Recreation Infrastructure estimated at \$5.9 million.

* Defined as pumps, starting blocks, blanket reels, boilers, filters, chlorinators and bulk heads.

Annual Maintenance and Replacement Needs

Annual Percentage Rate = $100 \div \text{Service Life} = 6.7\%$

Annual Replacement need = $6.7\% \times \$5,900,000 = \$395,300$

Current Total Annual Budget for Replacement = \$165,800

Additional Annual Replacement Funding Required = \$229,500

WATER RESOURCES INFRASTRUCTURE

DESCRIPTION	INSTALLATION DATES					
	PRE-1975	1976-80	1981-85	1986-90	1991-95	TOTAL
Miles of Water Pipe Service Life 50 yrs.	250	242	243	171	123	1029
Miles of Sewer Pipe Service Life 50 yrs.	200	160	161	114	82	717
Sewer Lift Stations Service Life 50 yrs.	13	2	2	1	1	19
Active Wells Service Life 50 yrs.	33	4	5	3	2	47
Reservoirs Service Life 50 yrs.	25	3	3	2	2	35
Booster Pumps Service Life 50 yrs.	43	5	6	4	3	61
Treatment Plants Service Life 50 yrs.	0	0	1	2	1	4*
91st Ave Trtmt Plant Service Life 50 yrs.	1	0	0	0	0	1**

Total value of Water and Sewer Infrastructure estimated at \$290 Million.***

* Treatment Plant total includes CAP Plant which will become the property of the City in the year 2008.

** The City of Scottsdale owns an 8.5% share of the 91st Ave. Treatment Plant which is operated by the City of Phoenix.

***This does not include City's share of the 91st Ave. treatment plant.

Annual Maintenance and Replacement Needs

Annual Percentage Rate = $100 \div \text{Service Life} = 2\%$

Annual Replacement need = $2\% \times \$290,000,000 = \$5,800,000$

Current Total Annual Budget for Replacement = \$4,970,000

Additional Annual Replacement Funding Required = \$830,000

MUNICIPAL SERVICES INFRASTRUCTURE

DESCRIPTION	INSTALLATION DATES					
	PRE-1975	1976-80	1981-85	1986-90	1991-95	TOTAL
Paved Streets-lane miles ¹ Service Life 35 yrs.	n/a	1,105	473.3	1,072	76.9	2,727
Signal Poles - each Service Life 35 yrs.	235	275	370	233	42	1,055
Signal Cabinets-each Service Life 20 yrs.	42	36	52	36	5	170
Signs - each Service Life 11 yrs.	9,890	2,135	11,275	26,043	12,227	62,570
Storm Drains - miles Service Life 75 yrs.	4	10	10	15	16	55
Drainage Channels-miles Service Life 35 yrs.	4	10	12	18	16	60
Bike Paths - miles ² Service Life 35 yrs.	n/a	n/a	n/a	50	188	238
Medians - lane miles ³ Service Life 35 yrs.	n/a	231.7	35.6	499	65.3	831.6

Total value of Municipal Services Infrastructure estimated at \$862 million.

¹ Lane mile = mile @ 12 1/2' width - calculated from sq. yd. total inventory

² Mile @ 6' width average

³ Converted actual acres into lane miles¹

Annual Maintenance and Replacement Needs

Annual Percentage Rate = $100 \div \text{Service Life} = 2.8\%$

Annual Replacement need = $2.8\% \times \$862,000,000 = \$24,136,000$

Current Total Annual Budget for Replacement = \$5,073,813

Additional Annual Replacement Funding Required = \$19,062,000

LIFE-CYCLE COSTING

Introduction

Life-Cycle Costing is a cost analysis tool which incorporates not only the purchase price of an asset, but all operating and related costs projected over the life of the item. Depending on the asset, these related costs may include maintenance, down-time, energy consumption, installation charges, training, salvage, trade-in value, as well as other factors. The concept of Life-Cycle Costing requires that the total acquisition price, installation, and annual operating and maintenance costs be considered together rather than individually.

Clarification

The methodology of "Value Engineering" and Value Analysis" have often been confused with Life-Cycle Costing. Some are convinced they mean the same thing. While they are related in their respective functions there are subtle differences that distinguish them from each other. The technique of Value Engineering is used during the design stages of the asset to assure value is built into the end product. Value Engineering is based on the required function of an asset to its user and what the function is worth. It is creative, as it looks for alternatives and evaluates them; and it is directed toward obtaining an asset which provides the needed function and reliability at the lowest overall cost.

The term "Value Analysis" is somewhat synonymous with Value Engineering, however, Value Analysis is generally concerned with the assets already designed. It is function-oriented. It determines the user's actual needs, those performance qualities and traits which an asset must possess if it is to provide good value at the lowest cost and highest level of usefulness.

Action

Life-Cycle Costing is normally applicable when the original purchase price of an asset is high, has a long life, operating costs are large, and energy or maintenance could represent significant costs throughout the asset life. This concept, however, can also be applied in certain procurements of lower priced equipment. The idea of utilizing Life-Cycle Costing as a cost analysis tool should be instilled in the minds of all City staff responsible for ordering any City asset where this technique may apply, regardless of the type or cost. It should be applied to the purchase of major construction assets such as new buildings as well as smaller items like generators and other equipment with long life and maintenance costs. Whenever prudent, the appropriate Life-Cycle Costing language should be added to our Architectural and Engineering design contracts. This will assure that the applicable equipment specified in our new Capital Projects will have already been subjected to this analysis by the Architect or Engineer with the inclusion of the requirements of affected City departments.

Communication

To ensure the concept of Life-Cycle Costing is being utilized whenever applicable, City management must take a proactive role in the endorsement of its importance and actively promote it as an important analysis tool for evaluating costs. Communication will play a key role in accomplishing this task. If the word does not get down to the line supervisor, this concept will not be used to its fullest capabilities. There are many communication vehicles already in place to convey the idea of "THINK LIFE-CYCLE COSTING" to City employees. Examples of these are: Videoline, Round-Up, Newslines, regular staff meetings, new employee orientations, Purchasing Contract Administration classes, and CIP meetings. For the City to receive maximum benefit from using the concept of Life-Cycle Costing, it needs to be in the daily working thought processes of all employees, and it has to be initiated throughout the City. Small pockets of participants will not get the taxpayers the best deal for their money.

Summary

Procurement trends indicate Life-Cycle Costing will become one of the most widely used cost analysis tools of the future. By inserting this concept in our Formal and Informal solicitations and educating our employees on the importance of using this valuable tool, the City will benefit by receiving quality assets at the lowest total cost.

This report was respectfully submitted by:

Carol Johnson, Water Resources Engineer
Julie Foth, CIP Coordinator
Lyle Ferger, Facilities Management Director
Larry Franklin, Purchasing Manager

APPENDIX C:

TEAMS

Introduction

This Appendix contains two different survey instruments for teams to use in a self-evaluation of team effectiveness. The results of either survey, completed by team members and compiled to ensure anonymity, allow teams to examine their collective ability to work together toward a common goal.

This Appendix also contains the survey instrument developed by the Venture Team and the ASU School of Public Affairs to measure the perception of both the quality and the quantity of teams in Scottsdale.

THE TEAM EFFECTIVENESS CRITIQUE

Instructions: Rate your team on each of the following nine dimensions using a scale of one to seven, indicating your assessment of your team and the way it functions by circling the number on each scale that you feel is most descriptive of your team.

1. Goals and Objectives

1 2 3 4 5 6 7

There is a lack of commonly understood goals and objectives.

The team members understand and agree on goals and objectives.

2. Utilization of Resources

1 2 3 4 5 6 7

All resources of team members are not fully recognized and/or utilized.

The resources of all team members are fully recognized and utilized.

3. Trust and Conflict Resolution

1 2 3 4 5 6 7

There is little trust among team members, and conflict is evident.

There is a high degree of trust among team members, and conflict is dealt with openly and worked through.

4. Leadership

1 2 3 4 5 6 7

One person dominates, and team-leadership roles are not carried out or shared.

There is full participation in leadership; leadership roles are shared by team members.

5. Control and Procedures

1 2 3 4 5 6 7

There is little control, and there is lack of procedures to guide team functioning.

There are effective procedures to guide team functioning; team members support these procedures and regulate themselves.

6. Interpersonal Communications

1 2 3 4 5 6 7

Communications between team members are closed and guarded.

Communications between team members are open and participative.

7. Problem Solving/Decision Making

1 2 3 4 5 6 7

The team has no agreed-on approaches to problem solving and decision making.

The team has well-established and agreed-on approaches to problem solving and decision making.

8. Experimentation/Creativity

1 2 3 4 5 6 7

The team is rigid and does not experiment with how things are done.

The team experiments with different ways of doing things and is creative in its approach.

9. Evaluation

1 2 3 4 5 6 7

The group never evaluates its functioning or process.

The group often evaluates its functioning and process.

By Mark Alexander. Adapted from The 1985 Annual: Developing Human Resources, edited by L.D. Goodstein and J.W. Pfeiffer, 1985, San Diego, CA: University Associates.

TEAM-PROFILE QUESTIONNAIRE

Instructions: For each of the statements in this questionnaire, refer to the following scale and decide which number corresponds to your level of agreement with the statement; then write that number in the blank to the left of the statement.

- | Strongly
Disagree
1 | Disagree
2 | Do Not Know
3 | Agree
4 | Strongly
Agree
5 |
|---------------------------|---------------|------------------|------------|------------------------|
|---------------------------|---------------|------------------|------------|------------------------|
-
- _____ 1. The present goals and objectives of this team are clear and relevant to its overall mission.
 - _____ 2. Role definitions are clear so that misunderstandings seldom arise about who is responsible for what.
 - _____ 3. Decisions are made on a timely basis, with adequate opportunity for input and consideration by those affected.
 - _____ 4. The team members enjoy a relatively high level of disclosure, believing that the facts are usually friendly and that in the long run it is better to deal with reality than to deny, avoid, or distort it.
 - _____ 5. The team members have a high awareness of the impact of their behavior on their environment and have open lines of communication with each other.
 - _____ 6. The team members are skilled at diagnosing and working on team problems; the team members attend to the process as well as to the content of their meetings.
 - _____ 7. Mistakes are not punished but rather are viewed as opportunities to learn; risk is accepted as a condition of growth and change.
 - _____ 8. The team leadership is flexible, shifting in style to suit the needs of the situation and the people involved.
 - _____ 9. Collaboration is entered into freely, and ways of helping one another are highly developed.

By Glenn H. Varney. Adapted from Building Productive Teams (pp.29-30), by G.H. Varney, 1989, San Francisco: Jossey-Bass.



CITY OF SCOTTSDALE TEAMS

You can make a difference! We are interested in what types of teams (task forces, committees, quality circles, etc.) work or don't work in our organization.

So, your candid responses and observations are valued, and we pledge to you absolute confidentiality. From the responses received, some of you will be asked to participate in small group discussion about the results of this survey and other topics of interest.

Please return the survey to the Venture Team Office at Eldorado Park. The earlier your survey is returned the better---and please, no later than March 15. If you need more room for comments, please use the space below.

Any questions or comments, please don't hesitate to call.

THANKS! Bob Frost (ext. 2673), Tom Gannarelli (ext. 5625), and Carder Hunt (ext. 2795)

Additional Comments: _____

CITY OF SCOTTSDALE TEAMS

On the matrix below, please identify the teams (task forces, committees, quality circles, etc.) on which you have served in the past 12 months. If the team had no 'official' name, please create an identifier based on its function.

In the columns provided, please tell us the AVERAGE number of hours per month you spent on each team, the team size, and assign a team rating. The team rating is your own personal assessment—on whatever criteria are important to you—of the usefulness of the team to the City organization. Please use one of the five categories for your rating:

1	2	3	4	5
/-----/	/-----/	/-----/	/-----/	/-----/
extremely useful	somewhat useful	ok	somewhat less than useful	not useful

TEAM IDENTIFIER	average monthly hours	team size	team rating
1			
2			
3			
4			
5			
6			
7			
8			
9			

With respect to your personal experience and standards, please choose three of the below features (or write in your own) of useful teams **THAT YOU BELIEVE TO BE CRITICAL**. Once you have identified the three, please rank order them (1, 2, and 3) in terms of their relative contribution to the success of a team.

____ team purpose clearly defined	____ team leader clearly identified	____ defined due date
____ resources available to the team	____ team size appropriate to goal	____ supportive team members
____ frequency of team interaction	____ other _____	

Please reflect on the team experiences you listed above and identify the one team that you think was the most useful and productive. Please tell us in a sentence what single feature was critical in making that team so useful and productive.

(Optional) Name _____ Dept. _____ Ext. _____

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